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CVS Group plc

Interim report for the six months ended 31 December 2014

CVS Group plc

Financial highlights

	Six months ended 31 December 2014 (Unaudited)	Six months ended 31 December 2013 (Unaudited)	Change[4] %
Revenue (£m)	**81.9**	68.8	19.0
Adjusted EBITDA (£m)[1]	**11.8**	9.0	30.4
Adjusted profit before income tax (£m)[2]	**9.5**	7.1	34.2
Adjusted earnings per share (pence)[3]	**12.9**	9.6	34.5
Operating profit (£m)	**5.8**	3.8	50.4
Profit before income tax (£m)	**5.2**	3.2	61.2
Basic earnings per share (pence)	**7.0**	4.6	53.2

- Sales growth of 19.0%
- Like-for-like sales increase of +10.0%
- Adjusted EBITDA up at £11.8m (+30.4%)
- Adjusted EPS 12.9p (+34.5%)
- Net debt £28.7m (June 2014: £31.3m)
- Ten practice surgeries acquired during the period
- Five surgeries acquired after the period end
- Loyalty scheme membership increased by almost 39% since December 2013 to 192,000 members

[1] Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is profit before income tax, net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items. The definition of the adjusted EBITDA measure has been revised since that previously reported in the 30 June 2014 consolidated financial statements. Adjusted EBITDA is now stated after share option costs for consistency with the adjusted earnings per share calculation. The comparative information has been restated.

[2] Adjusted profit before income tax is calculated as profit on ordinary activities before amortisation, taxation, costs relating to business combinations and exceptional items.

[3] Adjusted earnings per share is calculated as adjusted profit before income tax less applicable taxation divided by the weighted average number of ordinary shares in issue in the period.

[4] Percentage increases have been calculated throughout this document based on the underlying values.

CVS Group plc

Chairman’s statement

Introduction
I am pleased to announce the results of CVS Group plc for the six month period ended 31 December 2014. Once again the Group has delivered a strong set of results showing further growth in revenue and adjusted profit, generated both organically and through acquisitions. Cash flows from operations also improved further.

Results
Overall the Group has grown revenue in the period by 19.0% to £81.9m (2013: £68.8m). More than half of this increase came from strong like-for-like sales growth of 10.0% with the balance generated by acquisitions.

Adjusted EBITDA rose by 30.4% to £11.8m (2013: £9.0m). Adjusted profit before tax increased to £9.5m (2013: £7.1m) and adjusted earnings per share rose from 9.6p to 12.9p.

Operating profit increased to £5.8m (2013: £3.8m) and basic earnings per share increased from 4.6p to 7.0p.

Cash generated from operations increased to £12.9m (2013: £10.5m) in part due to improved trading but also due to improved working capital. As a result of the strong cash generation, net debt reduced to £28.7m (June 2014: £31.3m) after funding £4.3m of acquisition payments in the period.

Divisional performance

Practice Division
At the half year, the Practice Division operated 276 veterinary surgeries across the UK under a number of well-established local brands, primarily focused on the small animal market. We estimate that CVS has an 11% share of the UK small animal veterinary market.

Practice revenues were £72.0m, a 17.6% increase on the £61.3m achieved in the prior period. Like-for-like sales growth of 8.0% generated £4.6m of additional revenue; the annualised impact of prior year acquisitions added £4.8m and current period acquisitions added a further £1.3m. The like-for-like increase was strong across all parts of the Practice Division but was particularly supported by the referrals business, the opening of five out-of-hours centres and the continuing development of the Healthy Pet Club schemes.

The gross margin in the practices fell slightly from 84.1% to 83.6%. In the like-for-like practices the gross margin was little changed. The gross margin in prior year acquisitions was lower than the average and pulled the divisional percentage down. This was primarily because these acquisitions included a number of large animal practices which have a lower gross margin than small animal practices.

Adjusted EBITDA for the Practice Division grew by 23.5% from £10.6m to £13.2m and the adjusted EBITDA margin grew from 17.4% to 18.3%. Productivity improvements in the like-for-like practices increased the EBITDA margin.

The Group acquired ten small animal practices in the period, as detailed below:

Practice name	No. of surgeries	Location
Riversbrook	2	Ipswich
West End Veterinary Partnership	3	Edinburgh
Anrich Veterinary Hospital	1	Huddersfield
Batchelor, Davidson & Watson Limited	2	Edinburgh
Westmoor Veterinary Hospital	1	Tavistock
Aylsham Vets Limited	1	Aylsham

A total of £4.1m was paid for the acquisitions. Based on the last set of accounts publicly available for each business, the aggregate historical annualised turnover of these businesses was approximately £4.5m generating aggregate EBITDA of approximately £1.1m.

It is pleasing to note that, following the West End and Batchelor, Davidson and Watson acquisitions, the Group now has a significant presence in Edinburgh, extending the Group's geographic footprint into this important region. The other acquisitions provide a good complementary fit with the Group's existing locations.

Subsequent to 31 December 2014, the Group made two further acquisitions of Townsend Veterinary Practice, comprising three surgeries in the Bromsgrove area, and of Woodlands Veterinary Group, comprising two surgeries in Plymouth and Ivybridge.

The Healthy Pet Club schemes have grown significantly with membership at 31 December 2014 in excess of 192,000 pets, an increase of almost 39% since December 2013. Income from Healthy Pet Club schemes represented 12.5% of the income of the division for the six month period up from 10.5% in the comparable period. The schemes offer discounted products and services aiming to improve clinical compliance levels amongst members and to protect practice sales by bonding pet owners to their local CVS surgery.

The development of our own brand range of medicines and accessories has continued during the period. Our own brand flea products and wormers will be introduced in late March and April 2015. These are high volume products and represent a significant further development of our MiPet brand. A range of MiPet waiting room retail products has been successfully trialled and will be rolled out across the division over the next six months, representing a further incremental revenue opportunity across our practice footprint.

Our referrals business has grown strongly during the period as we continued to expand this exciting and complementary offering which provides high value specialist services to both our own and third party practices. A number of specialists were recruited at several locations including some in preparation for the opening of our Lumbry Park site in September of this year. These specialists include experts in internal medicine, feline medicine and soft tissue surgery.

Laboratory Division
Our laboratories provide diagnostic services to third party owned veterinary surgeries as well as our own practices. Services are generally offered via post and courier allowing complete coverage of the UK. In 2013/14 the division began to supply in-house analysers and to sell the reagents to our own practices. A small number of external sales of these analysers has been made.

Third party sales accounted for 56% (2013: 67%) of the division's revenues with the balance derived from CVS owned surgeries. The reduction in the external percentage is primarily due to the in-house analyser business being mostly internal to the Group.

Total revenues grew by 28.6% to £6.3m (2013: £4.9m). Sales of diagnostic services grew by 10.9% with the balance of growth being in the new analyser business. Pricing pressures appear to have eased slightly compared to previous periods and the gross margin on the diagnostic business improved. The overall gross margin percentage fell from 76.7% to 74.3% because the margin on analyser reagent sales is lower than on diagnostic services. Adjusted EBITDA rose to £1.0m (2013: £0.5m).

Animed Direct

Animed Direct, our on-line dispensary, has grown revenues by 42.9% to £5.3m (2013: £3.7m). Adjusted EBITDA for the Division was £0.2m (2013: £0.1m).

The launch of our French website has been delayed by questions over the regulations concerning selling prescription medicines in France; however, we will launch the site with non-prescription medicines in April 2015 and add prescription medicines if and when appropriate. We plan to launch the new Animed website in September 2015.

Crematoria Division

Crematoria revenues doubled to £1.2m (2013: £0.6m). The majority of this increase arose from the acquisition of Silvermere Haven in January 2014. Like-for-like sales growth at our two pre-existing sites of 18.6% was equivalent to a sales increase of £0.1m. Overall our enlarged Crematoria Division delivered an adjusted EBITDA of £0.3m (2013: £0.2m).

The acquisition of Silvermere Haven has enabled us to internalise all but a small amount of crematoria work and waste collection from our own practices. The transfer of this work away from external suppliers will be completed in the second half of the year.

Central administration

Central administration costs (after share option costs) were £2.9m (2013: £2.4m) and as a percentage of revenue increased marginally from 3.4% to 3.5% for the half year.

The Group continues to invest in the development of systems and staff to facilitate the growth of the business, the provision of better quality management information and improved efficiency. The Robovet practice management system is now implemented in all of our practices other than recent acquisitions and significant developments in it are being made. These enhancements will enable better analysis of data, helping to drive business performance, as well as simplifying processes.

The central functions have been further strengthened to help ensure the efficient and effective integration of acquisitions.

Cash flow and funding position

Net debt stands at £28.7m at 31 December 2014 (see note 12), a reduction of £2.6m from 1 July 2014. In the period £4.3m was invested on acquisitions (2013: £7.2m) (including £0.2m on deferred consideration), £3.0m on capital expenditure (2013: £2.3m) and £1.5m on dividends (2013: £1.1m). Repayments of the bank loan commenced in December 2013 and £1.8m was repaid in the period.

Dividends
A dividend in respect of the year ended 30 June 2014 of 2.5p per share was paid in December 2014. The Board will continue to review its dividend policy and expects that a final dividend will be paid in December 2015, which, in the absence of any unforeseen change in market conditions, will be at least equal in value to that of 2014.

Our people
Our people are key in enabling the Group to deliver these strong results and I would like to thank each of them for their skill and professionalism in providing the best possible care and service.

During the period CVS has made further strides in enhancing its internal training at all levels across all divisions. Under our Graduate Scheme we recruited 86 graduates in the period, the scheme being renowned for providing some of the best training in the profession. Career paths for nurses have traditionally been limited in the veterinary profession, but to help overcome this we launched our Nurse Academy in January 2015. This provides a year of advanced clinical training to qualified nurses by leading veterinary professionals. 145 nurses have been enrolled on the course and will cover medicine, surgery, emergency and critical care and clinical issues.

The Group continues to be the largest employer in the UK veterinary profession with almost 3,000 staff at 31 December 2014. Even so, the Group only employs an estimated 5% of practising vets in the UK, which indicates the significant scope left for further expansion in the UK market.

Further business development
The Board believes that the fragmented UK veterinary sector will continue to provide opportunities for further consolidation and strategic acquisitions across all of the small animal, equine and large animal segments. It is pleasing to note that the Group's pipeline of potential acquisitions remains strong.

The Group will continue to build on the many strengths of its existing business: the development of Lumbry Park as a major multi-disciplinary referral centre is an exciting and important opportunity for the Group; the expansion of our range of own brand products will continue; further developments of out of hours centres will take place as the density of our practices grow; and further development of the buying group is still a significant objective. The Group will also seek to improve its operating efficiency whilst ensuring that resources are adequate to successfully integrate acquisitions and develop the business.

Outlook

The Board is pleased to report that trading since the half year is in line with expectations. While like-for-like sales growth for January and February 2015 was not at the exceptional level seen in the comparative period, in part due to poor weather in some regions, the underlying growth rate remains strong. With our wide range of organic opportunities and a strong acquisition pipeline, the Board looks forward with confidence to the remainder of the year and beyond.

Richard Connell
Chairman
20 March 2015

Consolidated income statement for the six month period ended 31 December 2014 (unaudited)

	Note	**31 December 2014 (Unaudited) £m**	31 December 2013 (Unaudited) £m	Year ended 30 June 2014 (Audited) £m
Revenue	4	**81.9**	68.8	142.9
Cost of sales		**(55.4)**	(46.9)	(96.3)
Gross profit		**26.5**	21.9	46.6
Administrative expenses		**(20.7)**	(18.1)	(39.1)
Operating profit		**5.8**	3.8	7.5
Other finance expense	5	**(0.6)**	(0.6)	(1.2)
Profit before income tax		**5.2**	3.2	6.3
Income tax expense	8	**(1.1)**	(0.6)	(1.5)
Profit for the period attributable to owners of the Parent Company		**4.1**	2.6	4.8
Basic	6	**7.0p**	4.6p	8.3p
Diluted	6	**6.8p**	4.4p	8.0p

The following table is provided to show the comparative earnings before interest, tax, depreciation and amortisation ("EBITDA") after adjusting for costs relating to business combinations.

Non-GAAP measure: Adjusted EBITDA	Note	**£m**	£m	£m
Profit before income tax		**5.2**	3.2	6.3
Adjustments for:				
Net finance expense	5	**0.6**	0.6	1.2
Depreciation	9	**1.7**	1.3	2.8
Amortisation	9	**4.0**	3.6	7.3
Costs relating to business combinations		**0.3**	0.3	0.7
Adjusted EBITDA		**11.8**	9.0	18.3

Statement of consolidated comprehensive income for the six month period ended 31 December 2014 (unaudited)

	£m	£m	£m
Profit for the period	**4.1**	2.6	4.8
Other comprehensive income			
Cash flow hedges: Fair value (losses)/gains	**(0.2)**	0.2	0.2
Other comprehensive income for the period, net of tax	**(0.2)**	0.2	0.2
Total comprehensive income for the period attributable to owners of the Parent Company	**3.9**	2.8	5.0

Consolidated balance sheet as at 31 December 2014 (unaudited)

	Note	**31 December 2014 (Unaudited) £m**	31 December 2013 (Unaudited) £m	30 June 2014 (Audited) £m
Non-current assets				
Intangible assets	9	**58.9**	57.9	58.8
Property, plant and equipment	9	**16.1**	12.6	14.5
Investments		**0.1**	0.1	0.1
Deferred income tax assets		**1.1**	0.7	1.1
		76.2	71.3	74.5
Current assets				
Inventories		**4.4**	4.1	4.6
Trade and other receivables		**15.4**	14.2	13.8
Cash and cash equivalents		**3.0**	3.0	2.2
		22.8	21.3	20.6
Total assets	4	**99.0**	92.6	95.1
Current liabilities				
Trade and other payables		**(27.6)**	(25.2)	(25.7)
Current income tax liabilities		**(1.6)**	(0.9)	(1.0)
Borrowings		**(3.9)**	(3.2)	(3.6)
		(33.1)	(29.3)	(30.3)
Non-current liabilities				
Borrowings		**(27.8)**	(31.8)	(29.9)
Deferred income tax liabilities		**(3.4)**	(4.3)	(3.7)
Derivative financial instruments		**(0.2)**	(0.1)	-
		(31.4)	(36.2)	(33.6)
Total liabilities	4	**(64.5)**	(65.5)	(63.9)
Net assets		**34.5**	27.1	31.2
Shareholders' equity				
Share capital		**0.1**	0.1	0.1
Share premium		**9.2**	8.7	9.2
Capital redemption reserve		**0.6**	0.6	0.6
Revaluation reserve		**0.1**	0.1	0.1
Merger reserve		**(61.4)**	(61.4)	(61.4)
Retained earnings		**85.9**	79.0	82.6
Total equity		**34.5**	27.1	31.2

The interim financial information on pages 6 to 17 was approved by the Board of Directors on 20 March 2015.

Consolidated statement of changes in equity for the six month period ended 31 December 2014 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Revaluation reserve	Merger reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 July 2014	0.1	9.2	0.6	0.1	(61.4)	82.6	31.2
Profit for the period	-	-	-	-	-	4.1	4.1
Other comprehensive income:							
Cash flow hedges: Fair value losses	-	-	-	-	-	(0.2)	(0.2)
Total other comprehensive income	-	-	-	-	-	(0.2)	(0.2)
Total comprehensive income	-	-	-	-	-	3.9	3.9
Transactions with owners:							
Credit to reserves for share-based payments	-	-	-	-	-	0.6	0.6
Deferred tax relating to share-based payments	-	-	-	-	-	0.3	0.3
Dividends to equity holders of the Company	-	-	-	-	-	(1.5)	(1.5)
Transactions with owners	-	-	-	-	-	(0.6)	(0.6)
At 31 December 2014	0.1	9.2	0.6	0.1	(61.4)	85.9	34.5

	Share capital	Share premium	Capital redemption reserve	Revaluation reserve	Merger reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 July 2013	0.1	8.7	0.6	0.1	(61.4)	76.6	24.7
Profit for the period	-	-	-	-	-	2.6	2.6
Other comprehensive income:							
Cash flow hedges: Fair value gains	-	-	-	-	-	0.2	0.2
Total other comprehensive income	-	-	-	-	-	0.2	0.2
Total comprehensive income	-	-	-	-	-	2.8	2.8
Transactions with owners:							
Credit to reserves for share-based payments	-	-	-	-	-	0.5	0.5
Deferred tax relating to share-based payments	-	-	-	-	-	0.2	0.2
Dividends to equity holders of the Company	-	-	-	-	-	(1.1)	(1.1)
Transactions with owners	-	-	-	-	-	(0.4)	(0.4)
At 31 December 2013	0.1	8.7	0.6	0.1	(61.4)	79.0	27.1

Consolidated statement of cash flows for the six month period ended 31 December 2014 (unaudited)

	Note	**31 December 2014 (Unaudited) £m**	31 December 2013 (Unaudited) £m	Year ended 30 June 2014 (Audited) £m
Cash flows from operating activities				
Cash generated from operations	11	**12.9**	10.5	20.7
Taxation paid		**(1.0)**	(1.1)	(2.5)
Interest paid		**(0.5)**	(0.7)	(1.2)
Net cash generated from operating activities		**11.4**	8.7	17.0
Cash flows from investing activities				
Acquisitions (net of cash)	10	**(4.3)**	(7.2)	(12.4)
Purchase of property, plant and equipment		**(3.0)**	(2.3)	(4.9)
Purchase of intangible assets		**-**	(0.2)	(0.4)
Net cash used in investing activities		**(7.3)**	(9.7)	(17.7)
Cash flows from financing activities				
Dividends paid	13	**(1.5)**	(1.1)	(1.1)
Proceeds from issue of shares		**-**	-	0.5
Repayment of bank loan	12	**(1.8)**	(0.7)	(2.3)
Net cash from financing activities		**(3.3)**	(1.8)	(2.9)
Net increase/(decrease) in cash and cash		**0.8**	(2.8)	(3.6)
Cash and cash equivalents at start of period		**2.2**	5.8	5.8
Cash and cash equivalents at end of period		**3.0**	3.0	2.2

Notes to the interim consolidated financial information

1. General information

The principal activities of the Group are to operate companion and large animal and equine veterinary practices, complementary veterinary diagnostic businesses, pet crematoria and an on-line dispensary business.

CVS Group plc is a public limited company incorporated and domiciled in England and Wales and its shares are quoted on the Alternative Investment Market ('AIM') of the London Stock Exchange.

The address of the registered office is CVS House, Vinces Road, Diss, Norfolk, IP22 4AY and the registered number of the Company is 06312831.

This interim consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts of CVS Group plc in respect of the year ended 30 June 2014 have been delivered to the Registrar of Companies, upon which the Company's auditors have given a report which was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

Forward looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

2. Basis of preparation

The interim consolidated financial information of CVS Group plc is for the six months ended 31 December 2014. It is unaudited and has been prepared in accordance with the AIM Rules for Companies and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2014, which have been prepared in accordance with IFRSs adopted by the European Union.

The interim consolidated financial information has been prepared on a going-concern basis.

Use of non-GAAP measures

Adjusted EBITDA, adjusted EPS and like-for-like sales

The Directors believe that adjusted EBITDA and adjusted EPS provide additional useful information for shareholders on underlying trends and performance. These measures are used for internal performance analysis. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' adjusted measures. It is not intended to be a substitute for, or superior to, IFRS measurements of profit or earnings per share.

Adjusted EBITDA is calculated by reference to profit before income tax, adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations and exceptional items. This measure has been revised since the prior year in order to align it with internal performance metrics, previously the measure was stated before charging share option costs.

Adjusted EPS is calculated as adjusted profit before income tax less applicable taxation divided by the weighted average number of ordinary shares in issue in the period.

Like-for-like sales comprise the revenue generated from all operations compared to the prior year. New surgeries are included from the anniversary of their acquisition or opening and discontinued activities are included up to the date of their sale or closure.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those set out on pages 36 to 42 of the consolidated financial statements of CVS Group plc for the year ended 30 June 2014 (which are available upon request from the Company's registered office or on the Company's website).

4. Segmental reporting

Segmental information is presented in respect of the Group's business and geographical segments. The primary format, operating segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing borrowings and associated costs, taxation related assets and liabilities, costs relating to business combinations and central administration salary and premises.

Geographical segments

The business operates predominantly in the UK. It performs a small amount of laboratory work and sells a small quantity of goods on-line for European based clients. In accordance with IFRS 8 "Operating segments" no segmental results are presented for trade with European clients as these are not reported separately for management reporting purposes.

Operating segments

The Group is split into five operating segments; veterinary practices, laboratories, crematorium, Animed Direct and a centralised administration function for business segment analysis.

Six month period ended 31 December 2014	**Veterinary practices (restated) £m**	**Laboratories £m**	**Crematoria (restated) £m**	**Animed Direct £m**	**Central administration (restated) £m**	**Group £m**
Revenue	72.0	6.3	1.2	5.3	(2.9)	81.9
Profit/(loss) before income tax	8.4	0.7	0.2	0.2	(4.3)	5.2
Adjusted EBITDA before share option costs	13.4	1.1	0.3	0.2	(2.7)	12.3
Adjusted EBITDA	13.2	1.0	0.3	0.2	(2.9)	11.8
Total assets	83.9	6.7	2.5	3.8	2.1	99.0
Total liabilities	(25.0)	(1.4)	(0.5)	(3.5)	(34.1)	(64.5)
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	8.4	0.7	0.2	0.2	(4.3)	5.2
Net finance expense	-	-	-	-	0.6	0.6
Depreciation	1.3	0.2	0.1	-	0.1	1.7
Amortisation	3.3	0.1	-	-	0.6	4.0
Costs relating to business combinations	0.2	-	-	-	0.1	0.3
Adjusted EBITDA	13.2	1.0	0.3	0.2	(2.9)	11.8

4. Segmental reporting (continued)

Six month period ended 31 December 2013	Veterinary practices (restated[1]) £m	Laboratories (restated[1]) £m	Crematoria (restated[1]) £m	Animed Direct £m	Central administration (restated[1]) £m	Group £m
Revenue	61.3	4.9	0.6	3.7	(1.7)	68.8
Profit/(loss) before income tax	6.5	0.4	0.2	-	(3.9)	3.2
Adjusted EBITDA before share option costs	10.8	0.6	0.2	0.1	(2.2)	9.5
Adjusted EBITDA	10.6	0.5	0.2	0.1	(2.4)	9.0
Total assets	79.4	8.2	2.1	1.4	1.5	92.6
Total liabilities	(22.1)	(3.8)	(0.5)	(1.3)	(37.8)	(65.5)
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	6.4	0.4	0.2	0.1	(3.9)	3.2
Net finance expense	-	-	-	-	0.6	0.6
Depreciation	1.2	0.1	-	-	-	1.3
Amortisation	3.0	-	-	-	0.6	3.6
Costs relating to business combinations	-	-	-	-	0.3	0.3
Adjusted EBITDA	10.6	0.5	0.2	0.1	(2.4)	9.0

Year ended 30 June 2014	Veterinary practices (restated[1]) £m	Laboratories (restated[1]) £m	Crematoria (restated[1]) £m	Animed Direct £m	Central administration (restated[1]) £m	Group £m
Revenue	126.4	10.6	1.6	8.5	(4.2)	142.9
Profit/(loss) before income tax	13.3	0.9	0.3	0.3	(8.5)	6.3
Adjusted EBITDA before share option costs	22.5	1.3	0.4	0.3	(4.8)	19.7
Adjusted EBITDA	21.9	1.1	0.4	0.3	(5.4)	18.3
Total assets	81.2	6.4	2.3	3.0	2.2	95.1
Total liabilities	(23.0)	(1.7)	(0.6)	(2.8)	(35.8)	(63.9)
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	13.3	0.9	0.3	0.3	(8.5)	6.3
Net finance expense	-	-	-	-	1.2	1.2
Depreciation	2.3	0.2	0.1	-	0.2	2.8
Amortisation	6.1	-	-	-	1.2	7.3
Costs relating to business combinations	0.2	-	-	-	0.5	0.7
Adjusted EBITDA	21.9	1.1	0.4	0.3	(5.4)	18.3

[1] A number of costs relating to the Veterinary Practice, Laboratories and Crematoria divisions were previously charged in central administration. These are now charged in the appropriate division and figures for comparative periods have been restated.

5. Finance expense

	31 December 2014 (Unaudited) £m	31 December 2013 (Unaudited) £m	Year ended 30 June 2014 (Audited) £m
Interest expense, bank loans and overdraft	**0.5**	0.5	1.1
Amortisation of debt arrangement fees	**0.1**	0.1	0.1
Net finance expense	**0.6**	0.6	1.2

6. Earnings per ordinary share

(a) Basic

Basic earnings per ordinary share is calculated by dividing the profit after taxation by the weighted average number of shares in issue during the period.

	31 December 2014 (Unaudited)	31 December 2013 (Unaudited)	Year ended 30 June 2014 (Audited)
Earnings attributable to Ordinary shareholders (£m)	**4.1**	2.6	4.8
Weighted average number of Ordinary shares in issue	**58,467,292**	57,266,063	57,728,337
Basic earnings per share (pence per share)	**7.0**	4.6	8.3

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has potentially dilutive Ordinary shares being the contingently issueable shares under the Group's long term incentive plan schemes and Save As You Earn schemes. For share options, a calculation is undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	31 December 2014 (Unaudited)	31 December 2013 (Unaudited)	Year ended 30 June 2014 (Audited)
Earnings attributable to Ordinary shareholders (£m)	**4.1**	2.6	4.8
Weighted average number of Ordinary shares in issue	**58,467,292**	57,266,063	57,728,337
Adjustment for contingently issuable shares	**1,416,367**	2,151,494	1,808,799
Weighted average number of Ordinary shares for diluted	**59,883,659**	59,417,557	59,537,136
Diluted earnings per share (pence per share)	**6.8**	4.4	8.0

6. Earnings per ordinary share (continued)

(c) Non-GAAP measure: Adjusted earnings per share

Adjusted earnings per ordinary share is calculated by dividing the profit for the period attributable to equity shareholders excluding amortisation, fair value adjustments in respect of financial assets and liabilities, costs relating to business combinations and exceptional costs (all net of tax), by the weighted average number of shares in issue during the period.

	31 December 2014 (Unaudited) £m	31 December 2013 (Unaudited) £m	Year ended 30 June 2014 (Audited) £m
Earnings attributable to Ordinary shareholders	**4.1**	2.6	4.8
Add back taxation	**1.1**	0.6	1.5
Profit before taxation	**5.2**	3.2	6.3
Adjustments for:			
Amortisation	**4.0**	3.6	7.3
Costs relating to business combinations	**0.3**	0.3	0.7
Adjusted profit before income tax	**9.5**	7.1	14.3
Tax on adjusted profit	**(2.0)**	(1.6)	(3.3)
Adjusted profit after income tax and earnings attributable to ordinary shareholders	**7.5**	5.5	11.0
Weighted average number of ordinary shares in issue	**58,467,292**	57,266,063	57,728,337
Weighted average number of ordinary shares for diluted earnings per share	**59,883,659**	59,417,557	59,537,136
Adjusted earnings per share	**12.9p**	9.6p	19.0p
Diluted adjusted earnings per share	**12.6p**	9.2p	18.5p

7. Share-based payments

Long Term Incentive Plans

The Group operates an incentive scheme for certain senior executives, the CVS Group Long Term Incentive Plan ("LTIP").

Under the LTIP scheme awards are made at an effective nil nominal cost (0.2p), vesting over a three year performance period conditional upon the Group's adjusted earnings growth. On vesting, the LTIP scheme awards are settled in equity.

On 24 September 2014, LTIP8 was issued with an option life of 3 years over 277,841 shares, of which 277,841 were outstanding at the period end. The share price at the grant date was £3.52 with an exercise price of 0.2p.

During the six months to 31 December 2014, directors and employees exercised 651,721 (2013: 500,944) share options with a nominal value of £1,303 (2013: £1,002), in respect of the LTIP5 scheme.

The share-based payment charge for the period in respect of the options issued under the LTIP schemes amounted to £0.4 m (2013: £0.4m) and has been charged to administrative expenses. National Insurance contributions amounting to £0.2m (2013: £0.2m) have been accrued in respect of the LTIP scheme transactions and are treated as cash-settled transactions.

Save As You Earn (SAYE)

The Group operates the CVS Group Save As You Earn ("SAYE") plan, as an incentive scheme for all staff. The scheme is approved by HM Revenue and Customs. Under the SAYE schemes awards are made at a 20% discount of the closing mid-market price on date of invitation, vesting over a three year period. There are no performance conditions attached to the SAYE scheme.

SAYE7 scheme was opened for subscription in November 2014. 741,829 options were granted in November 2014, with the first salary deductions taking place in December 2014 and a contract start date of 1 January 2015. The exercise price was £2.97.

Options were valued using the Black–Scholes option pricing model and the share-based payment charge for the period in respect of the options issued under the SAYE schemes amounted to £0.1m (2013: £0.1m) and has been charged to administrative expenses.

8. Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual statutory income tax rate expected for the full financial year as a percentage of taxable profit ("the effective tax rate").

The charge in the half year ended 31 December 2014 was reduced by the impact of deferred tax arising primarily from the change in taxation rates.

9. Non-current assets

	Intangible assets	Property, plant and equipment
	£m	£m
Six months ended 31 December 2014		
Opening net book value at 1 July 2014	**58.8**	**14.5**
Additions arising through business combinations (note 10)	**4.1**	**0.3**
Additions	**-**	**3.0**
Depreciation and amortisation	**(4.0)**	**(1.7)**
Closing net book value at 31 December 2014	**58.9**	**16.1**
Six months ended 31 December 2013		
Opening net book value at 1 July 2013	53.5	11.4
Additions arising through business combinations	7.8	0.3
Additions	0.2	2.2
Depreciation and amortisation	(3.6)	(1.3)
Closing net book value at 31 December 2013	57.9	12.6

10. Business combinations

Provisional details of business combinations in the six month period ended 31 December 2014 are set out below.

	Book value of acquired assets	Adjustments	Fair value
	£m	£m	£m
Property plant and equipment	**0.3**	**-**	**0.3**
Patient data records	**-**	**4.1**	**4.1**
Deferred tax liability	**-**	**(0.3)**	**(0.3)**
Inventory	**0.1**	**-**	**0.1**
Trade and other payables	**(0.1)**	**-**	**(0.1)**
Net assets acquired	**0.3**	**3.8**	**4.1**
Consideration paid - cash			**4.1**
Deferred consideration paid in respect of prior year acquisitions			**0.2**
Total consideration paid in year – cash			**4.3**

Business combinations subsequent to the period end

Subsequent to the 31 December 2014, the Group acquired the share capital of Townsend Veterinary Practice Limited, a three surgery practice based in Worcester and Birmingham on 2 February 2015 and Woodlands Veterinary Group Limited, a two surgery practice based in Plymouth on 9 March 2015, for a total cash consideration £3.0m. Assets acquired comprised principally intangible patient data records with a provisional fair value of £3.0m.

11. Cash generated from operations

	31 December 2014 (Unaudited) £m	31 December 2013 (Unaudited) £m	Year ended 30 June 2014 (Audited) £m
Profit for the period	**4.1**	2.6	4.8
Add back:			
Taxation	**1.1**	0.6	1.5
Total finance costs	**0.6**	0.6	1.2
Amortisation of intangible assets	**4.0**	3.6	7.3
Depreciation of property, plant and equipment	**1.7**	1.3	2.8
Share option expense	**0.5**	0.5	1.4
(Increase)/decrease in working capital:			
Inventories	**0.3**	(0.5)	(0.9)
Trade and other receivables	**(1.6)**	(1.1)	(0.5)
Trade and other payables	**2.2**	2.9	3.1
Total cash flows from operating activities	**12.9**	10.5	20.7

12. Analysis of movement in net debt

	1 July 2014 £m	Cash flow £m	Non-cash movements £m	**31 December 2014 £m**
Cash and cash equivalents	2.2	0.8	-	**3.0**
Borrowings – current	(3.6)	-	(0.3)	**(3.9)**
Borrowings – non-current	(29.9)	1.8	0.3	**(27.8)**
Net debt	(31.3)	2.6	-	**(28.7)**

Non-cash movements relate to the amortisation of issue costs on bank loans and transfers between categories of borrowings.

13. Dividends

The dividends paid in December 2014, representing the final dividend payable for the year ended 30 June 2014, amounted to £1,473,000 (2.5p per share) (2013: £1,144,000; 2.0p per share).

CVS Group plc

Directors and advisers

Directors	R Connell (Chairman) M McCollum (Non-Executive Director) S Innes (Chief Executive Officer) N Perrin (Finance Director)
Company Secretary	R Cleal
Company number	06312831
Registered office	CVS House Vinces Road Diss Norfolk IP22 4AY
Auditors	Grant Thornton UK LLP 80 Compair Crescent Ipswich Suffolk IP2 0EH
Bankers	NatWest Bank Plc 12 High Street Southampton SO14 2BF
	Royal Bank of Scotland Plc 36 St Andrew Square Edinburgh EH2 2YB
Legal advisors	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
Nominated Adviser and Broker	N+1 Singer One Bartholomew Lane London EC2N 2AX